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C O N F I D E N T I A L SECTION 01 OF 02 THE HAGUE 000885

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TAGS: [EAIR](#) [ECON](#) [ETRD](#) [SENV](#) [EUN](#) [NL](#)
SUBJECT: NETHERLANDS: GOVERNMENT AND INDUSTRY SPLIT ON
IMPACT OF DUTCH AVIATION "GREEN" TAX

REF: A. THE HAGUE 00771
[1](#)B. THE HAGUE 00331

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Classified By: Political-Economic Counselor Andrew Mann, reasons 1.4 (b), (d)

[1](#)1. (C) SUMMARY: Although clear, objective data has yet to be published, the Dutch government and industry remain divided over the new aviation "green" tax's impact on Dutch airports and passenger numbers. The tax will likely have only limited commercial implications for U.S. passengers and carriers flying out of the Netherlands, and it does not appear to have any direct impact on the broader EU-U.S. air transport negotiations. END SUMMARY.

[1](#)2. (U) The tax took effect on July 1, 2008 and is levied on each passenger departing the Netherlands by air. The tax does not/not apply to transfer passengers or cargo flights. The tax costs EUR 11.25 (USD 17.66) for flights up to 2500 kilometers and EUR 45 (USD 71) for longer flights. The tax is imposed on the companies that operate the Dutch airports (effectively, that is the Schiphol Group for Dutch airports), on the assumption that they are capable of submitting tax returns based on data supplied by the airlines. The measure is expected to yield EUR 350 million (USD 550 million) per year in revenues for the central government.

INDUSTRY/PUBLIC DISCONTENT

[1](#)3. (C) According to an early October press report, KLM CEO Peter Hartman, using his own figures, blamed the tax for his airline carrying 230,000 fewer passengers from Amsterdam, Schiphol Airport from July-August 2008, compared to the same two-month period last year. Hartman referred to the tax as a "nasty measure" that has encouraged passengers to fly from Belgium and German airports instead of the costlier Schiphol. Hartman further charged that the diminished passenger load will cost KLM approximately 500,000 euros and the Schiphol Group, the airport operator, over 1 million euros in lost revenue over the coming year. Paul Gregorowitsch, President and CEO of Dutch cargo and charter airline Martinair, recently complained to Amsterdam Consul General that the aviation tax is causing Schiphol to lose its market position and could damage the Dutch economy as a whole due to the central role that Schiphol plays in Dutch trade and tourism. Gregorowitsch echoed Hartman's public comments that Dutch

airports are now losing passengers to competitors in Belgium and Germany where flights appear to be cheaper without the "green" aviation tax. In an early September meeting with Embassy officers, Wim Bak, Head of Marketing and Communications at the Schiphol Group, argued strongly against the tax. As Bak contended, if the Dutch government would put the increased tax revenue toward actual "green" projects to improve the environment, then industry might find the aviation tax less objectionable. As it stands now, though, he believes that the tax appears to be a self-serving scheme by the government to fill its coffers. Aviation industry leaders are united in calling upon the government to abolish the tax.

GOVERNMENT DEFENSE

14. (C) The inclusion in the recently announced Dutch budget (ref A) of the aviation tax, unaltered from its July 1 implementation, signals that the government intends to keep the tax in place. In a mid-September meeting with Embassy officers, Dutch Ministry of Transport Special Advisor for Market Access and Aeropolitical Affairs Hans de Jong dismissed the public outcry over the issue and contended that in the long run the "eco" tax would have no impact on the Dutch aviation market. De Jong appeared torn between his need to defend an official Ministry of Finance policy and his role as a Ministry of Transport official in defending the interests of the aviation sector. De Jong at once characterized the tax as part of the governing coalition's broader trend to enact more "green" legislation, while at the same time conceding that the tax did not have any tangible environmental benefits. De Jong further argued that no

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objective, official data has been published on airport revenues and passenger numbers, and that both sides of the debate need to hold off on making snap judgments.

15. (C) According to de Jong, the more important policy consideration is the impact of the EU Emission Trading Scheme (ETS) on the transatlantic, European, and Dutch aviation markets. At present it is not yet clear whether the EU will include the aviation sector in ETS when its third trading period begins at the end of 2012. De Jong stated that the Dutch Transport Ministry firmly believes that the aviation sector should be included in the ETS. To that end, he expects the government to abolish the "green" tax by 2012 so as not to overburden the aviation sector and double-tax it, should the sector be included in the ETS. Dutch Prime Minister Jan Peter Balkenende reinforced this point in an early October address to a large business audience during the annual Schiphol dinner. Balkenende indicated that the possible inclusion of aviation in the ETS should not lead to increasing costs for the sector, given its central importance to the Dutch economy. The EU supports this view, as evidenced by Commission Policy Advisor David Batchelor's call in mid-September for the Dutch government to abolish the aviation tax by 2012, arguing that the ETS should supersede all national tax measures in aviation matters.

COMMENT

16. (SBU) The aviation tax marginally impacts U.S. commercial interests. Although the tax does not apply to incoming flights from the United States to Amsterdam-Schiphol, it does to U.S. passengers departing Schiphol on non-transfer flights. U.S. carriers, especially Northwest which has many code-share flights with KLM based out of Schiphol, may also feel the brunt of the tax if passengers truly are choosing competitor airlines to fly out of Belgium or Germany for perceived cheaper flights. The Embassy also understands that

the International Civil Aviation Organization principle requires that any revenue derived from national aviation taxes must be spent on aviation-related projects, such as runway expansion and airport security. Therefore, because the Dutch aviation "green" tax is not being spent on aviation projects, or for that matter on environmental programs, there might be legal grounds to object to it. Nonetheless, with the tax's expected abolition in 2012 when the ETS is likely to include aviation, and its limited commercial impact affecting all carriers equally, the Embassy feels formal, bilateral intervention at this stage is not called for.

17. (C) There is no doubt that the aviation "green" tax will continue to strike a nerve with Dutch travelers who do not want to pay more to use local airports. The current credit crisis and resulting anxieties may strengthen popular discontent with this tax. According to many Dutch industry leaders, Schiphol is losing its market share due to increasing costs, which could ultimately threaten Amsterdam's draw as an international gateway. Schiphol is facing difficult times, but this "green" tax is not the primary culprit. Schiphol's increased costs have more to do with persistently high fuel prices, lower proceeds from the sale of real estate by the Schiphol Group, higher costs due to new Qof real estate by the Schiphol Group, higher costs due to new security measures imposed by the government, and past decisions restricting growth. Unless Dutch business travelers curtail their transatlantic flights to the United States because of this tax and subsequently diminish Dutch foreign direct investment in the United States - a trend post finds highly unlikely - the "green" tax will only have limited commercial repercussions for U.S. passengers and carriers out of Schiphol. END COMMENT.
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